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"CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA: A COMPREHENSIVE OVERVIEW AND ANALYSIS"

ABSTRACT:

This research paper delves into the evolution of Corporate Social Responsibility (CSR) in India, tracing its historical roots from philanthropy to a legal mandate under the Companies Act of 2013. It highlights the various stages of CSR development, starting from pre-independence initiatives by business families like Tata and Birla to the introduction of mandatory CSR provisions in 2013. The paper also talks about the significance of CSR in India, emphasizing how it extends beyond charity to become a fundamental part of corporate identity and community engagement. It examines the recent developments in CSR. Furthermore, the paper sheds light on the importance of CSR as well as on the challenges faced by CSR in India. The research paper concludes by emphasizing the need for ongoing refinement of CSR laws and policies in India to ensure fair and effective implementation. It highlights that while the CSR law has good intentions, there is room for improvement to maximize its impact on society and align it with the evolving needs of Indian communities. Overall, this paper provides valuable insights into the history, legal aspects, and impact of CSR in India, offering a comprehensive view of the subject and its relevance in the contemporary business landscape.

KEYWORDS:

CSR (Corporate Social Responsibility), Companies Act of 2013, Section 135, NVGs (National Voluntary Guidelines), Philanthropy, Financial growth, Sustainable development.

INTRODUCTION:

CSR stands for Corporate Social Responsibility, which was inserted into the Companies Act of 2013 under Section 135. In April 2014, India became one of the first countries in the world to make corporate social responsibility (CSR) mandatory, according to an amendment to the Companies Act, 2013. As part of their CSR compliance, businesses can invest their revenues in areas such as education, societal enhancement, sanitation, and disaster relief. According to the Ministry of Corporate Affairs, corporations' expenditures to battle the COVID-19 (corona virus) outbreak will also be considered legitimate CSR activity. Profits may be used for COVID-19-related activities such as donating to the PM-CARES Fund and promoting healthcare, particularly preventative healthcare and sanitation, as well as disaster management. Corporate Social Responsibility (CSR) is a concept that has gained importance in the corporate world, notably in India, where firms are increasingly realising the benefits of giving back to society. In India, CSR is not only a voluntary activity, but it is also a legal mandate under the Companies Act of 2013. Companies donating to charity is nothing new in India. CSR, however, is more than just charity or donations. CSR is a business strategy in which corporations contribute to social good while adding value. It may be defined as a company's sense of obligation to the community and the environment in which it works. CSR is a long-standing concept that has evolved gradually.

HISTORY AND EVOLUTION OF CSR IN INDIA:

In India, the concept of corporate social responsibility has grown in phases. In the nineteenth century, business families like Tata, Birla, Godrej, and others were oriented towards social causes, and they still are but on a larger scale. Private enterprises engaged in corporate misconduct between 1960 and 1980, when Indian companies faced hefty taxes, licencing, and regulations. Legislation affecting corporate governance, labour, and environmental problems was passed during this time period. CSR was also attempted to be implemented. Companies became more inclined to donate to social causes as part of their corporate social responsibility after 1980, when licencing was restricted to some extent.

The corporations Act of 1956 provides specific provision for CSR, but the new Companies Act of 2013 makes CSR essential for corporations that fall within section 135(1)[1]. This section should be read in conjunction with Schedule VII and the Companies (Corporate Social

[1] Companies Act 2013, section 135(1)

Responsibility) Rules, 2014[2]. Furthermore, it recommends the amount of money required for specific CSR goals[3]. CSR in India has gone through several levels.

Pre-Independence Era: CSR initiatives in India may be traced back to the pre-independence period, when some industrialists and corporations engaged in humanitarian activities. Famous people like Jamsetji Tata and the Birla family contributed to education, healthcare, and community development.

Independence and Early Years: After India gained independence in 1947, the government adopted policies that emphasized the social responsibility of businesses. The Industrial Policy Resolution of 1956 encouraged public sector enterprises to contribute to societal welfare.

Mandatory CSR Provisions: In 2013, India announced significant changes to its Company Act, mandating some enterprises to spend a portion of their profits on CSR initiatives. This marked a significant shift from voluntary to legally mandated corporate social responsibility. The Companies Act of 2013 mandated companies that met particular criteria to devote 2% of their average net income over the preceding three years to CSR activities.

National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (NVGs): The NVGs were released by the Ministry of Corporate Affairs in 2011 to encourage responsible business practises.

Since the implementation of mandated CSR, there has been a huge growth in CSR spending by Indian corporations. However, there have also been challenges, including concerns about the effectiveness of CSR programs, the need for more strategic alignment with business goals, and the creation of social impact. The COVID-19 pandemic highlighted the importance of CSR as many companies redirected their CSR funds toward pandemic relief efforts, including healthcare infrastructure, relief supplies, and supporting vulnerable communities.

Indian companies have gained recognition for their CSR efforts on the global stage. Some Indian corporations have been listed in international CSR rankings for their contributions to social and environmental causes. In summary, CSR in India has progressed from a philanthropic practise to a regulatory requirement for certain enterprises. The introduction of mandatory CSR expenditure has resulted in a greater emphasis and investment in social and environmental initiatives. While progress has been made, there is ongoing discussion and

[2] Companies Act 2013, section 135(3)(a)
[3] Companies Act 2013, section 135(3)(b)

debate about the effectiveness, alignment, and reporting of CSR activities, as well as the need for further refinement and improvement of CSR practices in India.

RECENT DEVELOPMENTS IN CSR IN INDIA:

CSR in India has seen significant changes in recent years, with both companies and the government taking steps to promote and enhance CSR efforts. Some of the notable developments: The government has introduced an online platform for companies to register and report their CSR activities. This platform simplifies the tracking and management of CSR expenditures while allowing companies to showcase their initiatives to stakeholders. In 2020, the Ministry of Corporate Affairs allowed companies to include COVID-19 relief measures, like supporting healthcare facilities or contributing to the PM CARES Fund, as part of their CSR activities. The Ministry of Corporate Affairs introduced NVGs in 2011, offering guidance to companies on integrating CSR into their operations with a focus on sustainability. Many companies have concentrated their CSR efforts on education by funding initiatives such as building schools, teacher training, and scholarships for deserving students. Businesses are increasingly partnering with non-profit organizations to execute their CSR programs, benefiting from NGOs' expertise in specific social development areas. The CSR Rules introduced in 2013 allow companies to support social entrepreneurship through contributions to incubators and research organizations, fostering innovation in the social sector. Recent years have seen a greater emphasis on evaluating the impact of CSR activities. The Companies (Corporate Social Responsibility Policy) Amendment Rules 2022 now permit higher spending on impact assessment, up to 2% of total CSR expenditure or Rs. 50 lakhs, whichever is higher, especially for significant CSR projects. The 2022 amendment rules have introduced a new reporting format for CSR efforts. Annual reports must include CSR policies, committee member details, executive summaries, impact assessments, allocation of funds, surplus amounts, unspent CSR funds from the past three years, and information about capital assets generated or acquired through CSR spending. Companies failing to spend 2% of their average net income from the preceding three years must provide an explanation in its reports[4]. These changes reflect a growing emphasis on transparent and accountable CSR reporting in India.

[4] Companies Act 2013, section 135(5)

THE LEGAL ASPECTS OF CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Companies Act of 2013 had a significant impact on corporate governance and CSR practises in India. It made CSR mandatory for all organisations, private or public, that fulfil the financial standards established in Section 135 of the Act. These standards include a net worth of 500 crores or more, an annual turnover of 1000 crores or more, or a net profit of five crores or more. Companies are obliged by this Act to form a Corporate Social Responsibility Panel comprised of at least three directors, including one independent director, within their Board of Directors. The responsibilities of this panel include formulating a detailed CSR policy that is consistent with Schedule VII of the Act and recommending the funds for various CSR initiatives. The Board of Directors must monitor the use of the company's average net profit to guarantee that at least 2% of net profit is spent on CSR each fiscal year. The board of directors must adopt the CSR policy, which must then be posted on the company's website. Companies must include CSR initiatives in their yearly financial statements and board reports. This involves presenting information on the CSR initiatives, the amount invested, and the results obtained. Failure to comply with CSR rules must be explained in the annual report. Failure to comply with CSR rules must be explained in the annual report. The CSR Committee is in charge of monitoring and evaluating the impact of CSR activities.

The Act encourages companies to participate in initiatives and programmes that have a long-term and measurable impact on society. Corporations can choose to carry out CSR activities directly or through a variety of implementing organisations, such as registered trusts, societies, or Section 8[5] companies. Companies can also work on CSR projects with the government or other businesses. CSR spending is audited, and any unspent funds must be justified and carried over to the following fiscal year. CSR does not include activities that are simply "one-time," specific acts of charity, and responsibilities undertaken under other regulations. While spending 2% of average net profit on CSR is voluntary, reporting on it is mandatory.

Penalties for noncompliance with reporting laws include penalties ranging from 50,000 to 25 lakhs for the corporation and 50,000 to 5 lakhs for its officials, as well as imprisonment for up to three years, or both. Under Section 441 of the Act, the National Company Law Tribunal has the ability to compound offences that are punishable only with fines, either before or after the

[5] Companies (Corporate Social Responsibility) Rules 2014, Rule 4

beginning of the court proceedings. However, this indicates that the company’s obligation for failure to comply with reporting rules can only be partially reduced, depending on whether the company's financial practises meet the required legal standards. Officers of the company, on the other hand, are personally liable for noncompliance.

Despite the legal framework, large corporations have taken the initiative to be socially responsible and enhance their reputation in society over the years. The legal framework for CSR in India may be subject to amendments and updates over time. Companies should stay informed about changes in CSR rules and regulations. It's important for companies subject to CSR regulations in India to comply with these provisions, as non-compliance can lead to legal consequences. Furthermore, for more comprehensive and impactful CSR initiatives, corporations are advised to connect their CSR activities with India's National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (NVGs).

NEED FOR CSR:

Historically, corporations were viewed as contributors to poverty due to their practises such as land acquisition, pollution, and corruption, among others. However, a change has occurred, with businesses being portrayed as a potential solution to global poverty through the promotion of free markets and the inclusion of small and medium-sized firms (SMEs) in global supply chains. Large corporations sometimes also assist SMEs in improving their product design, production, and marketing. CSR also generates goodwill for companies directly or indirectly, benefiting them in various ways.

NEED FOR CSR LAWS:

CSR laws facilitate the transfer of excess capital from affluent corporations to the less privileged through charitable acts. These laws can significantly increase annual monetary contributions from corporations, shifting their role from perceived exploiters to facilitators of development. CSR laws bring several advantages to various stakeholders:

- Improved Standard of Living: Introduces more amenities, enhancing people's quality of life.
- Balanced World: Contributes to a balanced and healthier world with improved environmental systems.

- Healthier Ecosystems: Promotes healthier ecosystems through corporate efforts.
- Enhances waste management practices.
- Creates a cleaner and greener environment.

Advantages For Corporates:

- Financial Growth: Supports fiscal growth and competitiveness.
- Stakeholder Engagement: Facilitates interaction with stakeholders and understanding of their needs.
- Employee Pride: Makes employees and their families proud to be associated with socially responsible corporations.

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY:

1. CSR initiatives may help to create a favourable brand image, which leads to improved consumer trust and loyalty.
2. CSR encourages environmentally friendly practices, helping preserve natural resources for future generations.
3. CSR benefits local communities through charitable contributions and community development projects.
4. CSR enhances media coverage and favourable media coverage benefits the organisation.

CHALLENGES OF CSR IN INDIA:

1. Low Public Awareness: Lack of public interest and awareness about CSR activities hinders participation and contributions to CSR activities of companies.
2. Capacity Building: Local NGOs need more training and support to effectively engage in CSR initiatives.
3. Transparency Issues: Small companies often lack transparency in disclosing information about what they do with their CSR money, making it hard to trust them.
4. Media Influence: Sometimes, the media talks about CSR in a way that makes it seem like a one-time event, rather than ongoing help.

5. Narrow Perspective: Some groups see CSR as only about getting donations, which can make companies less interested in doing it.

CSR INITIATIVES BY COMPANIES:

1. Tata Power (Coastal Gujarat Private Limited - CGPL): CGPL, a subsidiary of Tata Power, launched the Sagarbandhu program in partnership with Aga Khan Rural Support Programme to support fisherfolk communities in Gujarat. This initiative focused on sustainable livelihoods, infrastructure improvements, and community development, including training, SHG formation, and providing fishing equipment. It led to enthusiastic community participation.

2. Infosys: Infosys, a leading software company, engages in various CSR activities, including language and computer education for underprivileged children, support for informal schools, and health and environmental initiatives. In 2014-15, Infosys spent a significant portion of its CSR budget on projects related to education, healthcare, and environmental preservation.

3. Tata Consultancy Services (TCS): TCS, India's largest software company, focuses on CSR initiatives in the education sector, including computer-based literacy programs for adults. It also emphasizes environmental responsibility and supports healthcare initiatives, such as children's hospitals in Mumbai.

4. Oil and Natural Gas Limited (ONGC): ONGC, India's largest oil and natural gas exploration company, actively engages in CSR practices. It focuses on water management, education, health, environment, and infrastructure support in areas near its operations. ONGC has received recognition and awards for its CSR initiatives, including the Golden Peacock Award for excellence in corporate social responsibility.

COMPANIES AND THEIR AMOUNTS SPENT FOR CSR:

In 2021-22, many of India's top companies prioritised corporate social responsibility (CSR). Some of these companies which were committed to putting their resources to good use and making significant contributions to improving the lives of the poor were Reliance Industries, HDFC Bank, Tata Consultancy Services, etc. In the fiscal year 2021-22, some of the top companies with the highest allocated CSR budgets, in crores, were as follows:

1- Reliance Industries Limited: With a CSR budget of 737 crores Reliance Industries topped list, Reliance Industries is noted for its involvement in a variety of areas, including petroleum, natural gas, retail, and telecommunications. The company is committed to giving back to the society through a variety of social projects.

2- HDFC Bank Limited: With a CSR budget of 733.86 crores HDFC bank secured second position, HDFC Bank is one of India's leading private sector banks. Through its CSR initiatives, it is dedicated to addressing essential concerns such as education, healthcare, and financial inclusion.

3- Tata Consultancy Services Limited: Tata Consultancy Services (TCS) is a key player in the technology sector, with a CSR budget of 716 crores. TCS actively contributes to the welfare of underprivileged communities through different social and environmental projects, in addition to its successful economic activities.

4- Oil And Natural Gas Corporation Limited: This state-owned oil and gas corporation allocated 436.02 crores to CSR projects. Aside from its basic energy operations, it also runs a number of CSR programmes aimed at education, healthcare, and environmental sustainability.

5- Infosys Limited: Infosys, a well-known technology firm with a CSR budget of 396.7 crores, is well-known for its creative solutions and dedication to corporate social responsibility. The corporation prioritises CSR operations related to education, healthcare, and environmental conservation.

6- ITC Limited: ITC is a multinational company with a budget of 354.27 crores that is involved in sectors ranging from tobacco to hotels and packaged food items. Aside from business success, ITC prioritises CSR, notably in education, healthcare, and environmental sustainability.

THE IMPACT OF SECTION 135:

Section 135 of the Companies Act in India mandates that companies above a certain size allocate a portion of their profits toward CSR activities. This legal requirement has led to significant CSR contributions by corporations, resulting in various social and environmental benefits. Companies are now more actively involved in improving the well-being of communities through education, healthcare, environmental conservation, and other initiatives. CSR has become an integral part of corporate operations, fostering positive relationships between companies and society while addressing critical social issues.

CONCLUSION:

The idea behind making CSR mandatory in India was to encourage positive changes at the grassroots level by involving companies in collaboration with local authorities. CSR is no longer just something companies do voluntarily; it's now a requirement for certain companies in India. The rules around CSR have changed a lot, with the government introducing new guidelines to promote it. Recent past developments in CSR in India have focused on sustainable development, social entrepreneurship, impact assessment, and helping with COVID-19 relief efforts. CSR has become a crucial part of doing business in India. Companies are expected to keep expanding their CSR efforts because people are realizing how important it is. CSR not only benefits society but also boosts a company's reputation, saves money, and helps attract and keep customers, employees, and investors. But some people think CSR should do more than just meet the 2% spending requirement. They say it should have a bigger impact. The idea behind CSR becoming a law in India was that companies should give back to society, as society's needs help these companies succeed. Also, it was thought that society would get help because sometimes the government can't do enough. Even though the CSR law had good intentions, it has some problems. It has given companies a reason to give back to society, but there are issues with how it has done. The rules used to figure out how much money should be spent on CSR are not always fair. Some companies manipulate data, do selective and self-serving CSR projects, or spend money on short-term things. These problems show that India's CSR laws and policies need to change. They should be made simpler and easier to watch over. Changing CSR laws in the right way will help society a lot in the future.

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